

Message Text

LIMITED OFFICIAL USE

PAGE 01 OTTAWA 03260 01 OF 02 300243Z

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 FRB-03 INR-07

NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01

DOT-00 PA-01 PRS-01 L-03 ITC-01 H-01 OES-06

FEA-01 /089 W

-----300333Z 073130 /15

P 291857Z APR 77

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 3300

INFO AMCONSUL MONTREAL

ALL OTHER AMCONSULS CANADA (POUCH)

LIMITED OFFICIAL USE SECTION 01 OF 02 OTTAWA 03260

E.O. 11652: N/A

TAGS: EIND, EINV, ETRD, CA, US

SUBJECT: AUTO AGREEMENT: REMARKS BY INDUSTRY, TRADE AND
COMMERCE (ITC) MINISTER JEAN CHRETIEN AND AUTOMOTIVE PARTS
MANUFACTURERS ASSOCIATION PRESIDENT PATRICK LAVELLE

1. SUMMARY: IN TALK TO AUTOMOTIVE PARTS MANUFACTURERS
ASSOCIATION IN TORONTO APRIL 26, INDUSTRY, TRADE AND
COMMERCE (ITC) MINISTER JEAN CHRETIEN, REFERRING TO
FINDINGS OF YET-TO-BE RELEASED STUDY OF AUTO INDUSTRY,
EXPRESSED CONCERN ABOUT IMBALANCE IN PARTS TRADE AND
DEFICIENCY OF HIGH TECHNOLOGY WORK IN CANADA. HE CALLED
FOR "PRACTICAL, WORKING, UNDERSTANDINGS" WITH USG AND
INDUSTRY AND MADE CLEAR HIS INTENTION TO JAWBONE VEHICLE
MANUFACTURERS TO INFLUENCE INVESTMENT AND SOURCING
DECISIONS. ALSO, WHILE NOTING PRESENT PROSPERITY OF
CANADIAN INDEPENDENT PARTS MAKERS, HE OFFERED TO DISCUSS
WITH THEM WAYS OF MEETING COMPETITION FROM DEVELOPING
WORLD AND FROM TECHNOLOGICAL CHANGE. ASSOCIATION PRESI-
DENT PATRICK LAVELLE, ACCORDING TO PRESS INTERVIEW GIVEN
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OTTAWA 03260 01 OF 02 300243Z

DURING ASSOCIATION MEETING, SAID THAT USG WOULD BE
RECEPTIVE TO AUTO PACT MONITORING AGENCY. END SUMMARY.

2. CHRETIEN'S REMARKS (TEXT BEING POUCHED TO EUR/CAN)
WERE BRIEF AND GENERALLY UPBEAT REGARDING FUTURE OF
INDUSTRY PROVIDED IMBALANCE IN INDUSTRY CAN BE CORRECTED
THROUGH "PRACTICAL WORKING UNDERSTANDINGS" WITH USG,

VEHICLE MANUFACTURERS AND PARTS INDUSTRY. HE THOUGHT THERE WAS A WILL "ON ALL SIDES" TO ACHIEVE SUCH UNDERSTANDINGS. DURING COURSE OF TALK, CHRETIEN MADE FOLLOWING POINTS:

A. PARALLEL STUDIES AGREED TO BY PRIME MINISTER TRUDEAU AND PRESIDENT FORD ARE NOW COMPLETE AND CAN FORM BASIS FOR NEW DIALOGUE BETWEEN GOVERNMENTS AND WITH INDUSTRY. (COMMENT: CHRETIEN MADE NO SPECIFIC REFERENCE TO PLAN TO DISTRIBUTE CANADIAN STUDY TO INTERESTED PARTIES WHICH STILL AWAITING APPROVAL OF EXTAFF AND FINANCE MINISTERS. LAU, ITC, TOLD EMBOFF THAT FOR LOGISTICAL REASONS IT WOULD BE AT LEAST A WEEK OR TEN DAYS BEFORE REPORT COULD BE DISTRIBUTED IN ANY EVENT.)

B. KEY POINTS EMERGING FROM CANADIAN STUDY ARE:

-- AUTOMOTIVE PRODUCTION IN CANADA HAS BEEN GROWING IN STEP WITH NORTH AMERICAN PRODUCTION AND DEMAND BUT NOT AT ALL IN STEP WITH MUCH HIGHER CANADIAN DEMAND.

-- CANADA HAS FASTEST-GROWING LABOR FORCE IN WESTERN WORLD, AND ITS POST-WAR BABIES ARE FUELING THAT HIGH DEMAND FOR CARS AND TRUCKS.

-- AUTOMOTIVE INDUSTRY IN CANADA ... HAS RELATIVELY MUCH MORE OF THE LABOR-INTENSIVE ELEMENTS OF AUTOMOTIVE MANUFACTURING AND LESS OF MANUFACTURE OF PARTS. THIS IMBALANCE BETWEEN ASSEMBLY OF VEHICLES AND MANUFACTURER OF PARTS IS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OTTAWA 03260 01 OF 02 300243Z

GROWING AND POSES REAL DIFFICULTIES AHEAD FOR HEALTHY STRUCTURE OF AUTOMOTIVE INDUSTRY IN CANADA.

C. AUTO PACT HAS IN MANY WAYS SERVED CANADA WELL. CANADA'S SHARE OF NORTH AMERICAN PRODUCTION HAS ALMOST DOUBLED SINCE AGREEMENT WAS SIGNED, EXPANDING AS NORTH AMERICAN MARKET EXPANDED. INDUSTRY IS OPERATING AT NEAR CAPACITY. AT TIME WHEN EMPLOYMENT IS SO IMPORTANT CANADA HAS 11 PERCENT OF NORTH AMERICAN AUTOMOTIVE EMPLOYMENT -- 100,000 JOBS -- ALTHOUGH ITS MARKET SHARE IS ONLY 9 PERCENT.

D. CANADIAN INDEPENDENT PARTS INDUSTRY HAS PROSPERED, PRODUCING A DOLS 200 MILLION SURPLUS -- MEASURED IN TERMS OF CONSUMPTION OF PARTS INCLUDED IN VEHICLES BOUGHT BY CANADIANS AND PRODUCTION OF PARTS IN CANADA -- BUT, IN CONTRAST, THERE IS OVERALL TRADE DEFICIT IN PARTS, CAUSED BY DEFICIENCY OF "CAPTIVE PARTS" PRODUCTION IN CANADA, WHICH IS "TOO BIG TO SWALLOW."

E. CONCENTRATION OF CANADIAN AUTOMOTIVE CAPABILITY IN
FABRICATING AND DEFICIENCY OF HIGH TECHNOLOGY WORK IN
CANADA IS ALSO CAUSE FOR WORRY.

F. CANADA, IN ITS NATIONAL INTEREST REQUIRES "A BETTER
SHARE OF NORTH AMERICAN PRODUCTION, AND A BETTER BALANCE
OF ACTIVITY... MORE PARTS-MAKING, IN OTHER WORDS ...
WITHIN THE INDUSTRY. INDUSTRY HAS TO BRING THESE IMPROVE-
MENTS ABOUT WITH GOVERNMENT PLAYING A FACILITATING ROLE."

G. IT IS "ABSOLUTELY VITAL" THAT CANADIAN VEHICLE MANU-
FACTURERS ACQUIRE SIGNIFICANT SHARE OF NEW HIGH
TECHNOLOGY ACTIVITY NEEDED TO MEET GOVERNMENT REQUIREMENTS

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OTTAWA 03260 02 OF 02 050308Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 FRB-03 INR-07
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 DOTE-00 PA-01 PRS-01 L-03 ITC-01 H-01
OES-07 FEA-01 /091 W

-----050319Z 007763 /62

P 291857Z APR 77

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 3301

INFO AMCONSUL MONTREAL

ALL OTHER AMCONSULS CANADA (POUCH)

LIMITED OFFICIAL USE SECTION 02 OF 02 OTTAWA 03260

ON SAFETY, POLLUTION AND FUEL USE.

3. CHRETIEN SAID HE WOULD BE TALKING WITH (READ "JAW-
BONING") VEHICLE MANUFACTURERS, ENCOURAGING THEM "TO FIND
WAYS TO LOCATE, HERE IN CANADA, A SIGNIFICANT PROPORTION
OF NEW FACILITIES TO BE REQUIRED IN NORTH AMERICA" AND
STRESSING NEED TO SPIN OFF ADDITIONAL OPPORTUNITIES FOR
CANADIAN INDEPENDENT PARTS INDUSTRY. HE ALSO SAID HIS
PEOPLE WOULD BE TALKING WITH PARTS MANUFACTURERS ABOUT
NEED TO SELL MORE AGGRESSIVELY IN NORTH AMERICA AND
OVERSEAS AND ABOUT WAYS OF ASSISTING INDUSTRY TO MEET

COMPETITION, I.E. "TECHNICAL OPPORTUNITY, TOOLING
INSURANCE, THIRD COUNTRY REMISSIONS AND OTHER MATTERS."

4. APRIL 27 GLOBE AND MAIL ARTICLE BY KEN ROMAIN REPORTS
INTERVIEW WITH LAVELLE AND HIS ADDRESS TO ASSOCIATION.
EMBASSY HAS NOT CONFIRMED LAVELLE'S REMARKS DURING INTER-
VIEW, BUT ROMAIN'S ARTICLE FOCUSES ON ASSERTION LAVELLE
REPORTEDLY MADE DURING INTERVIEW THAT USG WOULD BE
RECEPTIVE TO ESTABLISHMENT OF AN INTERNATIONAL JOINT
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OTTAWA 03260 02 OF 02 050308Z

COMMISSION TO MONITOR AUTO TRADE BETWEEN THE TWO COUNTRIES.
REPORTEDLY, LAVELLE SAID HIS ASSOCIATION HAS ARGUED FOR
SUCH A MECHANISM IN ORDER TO END OR CURB CANADIAN PARTS
TRADE DEFICIT WHICH COULD REACH DOLS 3 BILLION IN 1977
AND WHICH HAS TOTALED DOLS 16 BILLION SINCE AGREEMENT WAS
SIGNED. HIS ASSOCIATION WANTS A "FAIRER" SHARE OF PRO-
DUCTION CONSUMPTION RATIO IN CANADA. CANADA CONSUMES 12
PERCENT OF NORTH AMERICAN PARTS PRODUCTION FOR NEW
VEHICLES BUT IS ONLY PRODUCING 6 PERCENT OF THE TOTAL.
HE MENTIONED 10 PERCENT AS FAIRER SHARE. HE SAID THAT
"IT WAS MADE OBVIOUS THAT THE UNITED STATES IS IN AGREE-
MENT THAT SOME TYPE OF PACT MONITORING IS NEEDED, BUT
THERE IS ALSO THE MATTER OF FORM ON WHO WILL INITIATE IT."
HE ALSO SAID HE BELIEVED "BREAKTHROUGH IS NEAR IN THE
CURRENT DISCUSSIONS BETWEEN THE TWO GOVERNMENTS ON THE
AUTO PACT." CONGEN TORONTO WILL CONTACT LAVELLE TO
VERIFY INTERVIEW AND CABLE REPORT. CONGEN WILL ALSO POUCH
TEXT OF LAVELLE'S ADDRESS.

5. COMMENT: CHRETIEN'S REMARKS APPEAR TO CONFIRM OUR
CONCERNS THAT GOC HOPES, WITH ACTIVE OR TACIT USG SUPPORT,
TO EXERT DIRECT INFLUENCE ON INDUSTRY'S INVESTMENT AND
SOURCING DECISIONS. THIS EMPHASIZES NEED EXPRESSED BY
U.S. DELEGATION AT BILATERAL AUTO TALKS IN OTTAWA ON
MARCH 25 TO CLARIFY OBJECTIVES OF A BILATERAL DIALOGUE ON
RESULTS OF AUTO STUDIES BEFORE DIALOGUE IS WELL LAUNCHED.

6. EMBASSY DOES NOT KNOW WHERE LAVELLE GOT IDEA USG
FAVORS AUTO PACT MONITORING AGENCY BUT SUSPECTS THAT IN
HIS USUAL SHARPLY AGGRESSIVE WAY HE USING WORDS LOOSELY
IN PROMOTING CONCEPT THAT HE SEES AS POTENTIALLY BENEFICIAL
TO HIS OWN ASSOCIATION'S MEMBERSHIP. ENDERS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOTIVE INDUSTRY, SPEECHES, INVESTMENTS, JOINT VENTURES
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977OTTAWA03260
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770153-0871
Format: TEL
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977044/aaaaaddu.tel
Line Count: 217
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 46a02aa2-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2755349
Secure: OPEN
Status: NATIVE
Subject: AUTO AGREEMENT: REMARKS BY INDUSTRY, TRADE AND COMMERCE (ITC) MINISTER JEAN CHRETIEN AND AUTOMOTIVE PARTS MANUFACTURERS ASSOCIATION PRESIDENT PATRIC K LAVELL
TAGS: EIND, EINV, ETRD, CA, US, (CHRETIEN, JEAN), (LAVELLE, PATRICK)
To: STATE
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/46a02aa2-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009